

FISCAL NOTE
SB 2389 - HB 2522

January 27, 2004

SUMMARY OF BILL: Exempts reserve members of uniformed service from paying the sales and use tax on motor vehicles purchased, titled and registered in Tennessee if the vehicle is purchased while the member is on a military assignment outside the United States.

ESTIMATED FISCAL IMPACT:

Decrease State Revenues - \$79,571.95

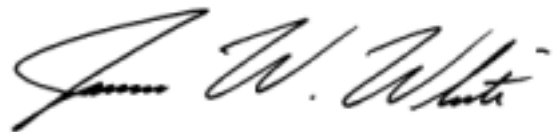
Decrease Local Govt. Revenues - \$2,496

Estimate assumes:

- A maximum deployment level of 4,000. This is the number of Tennessee residents that were members of the reserves deployed overseas in 2003.
- The percentage of reserve members buying vehicles in 2003 was equal to the percentage of Tennessee National Guard Members purchasing vehicles in 2003 (16.27%).
- The average price of vehicles purchased by reserve members is \$16,829. This was calculated based upon 2003 data provided by the NADA. The average price of new vehicles was \$27,276 and the average price of used vehicles sold at franchised dealerships was \$13,347. Historically, new vehicles account for 25% of sales and used vehicles account for 75% of sales. Therefore, $(\$27,276 \times 25\%) + (\$13,347 \times 75\%) = \$16,829$.
- According to the Department of Safety a person other than an owner of a vehicle can title and register that vehicle only with a power of attorney.
- Since the only way someone stationed overseas could make such a purchase and subsequent title and registration is by having someone with power of attorney make the purchase or for the service member to do so while on leave, the number of individuals who would qualify for this exemption is small. Therefore, we have assumed that only 10% of those who qualify and would normally be buying cars would actually be able to take advantage of this exemption.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director